SASKATCHEWAN GOVERNMENT GROWTH FUND II LTD.

2003 Annual Report

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan

2003 ANNUAL REPORT

INDEX

Fund Profile 1

Message to Investors 2

Investment Profiles 3

Management Discussion and Analysis 4

Management's Responsibility for Financial Reporting 7

Auditors' Report 8

Financial Statements 9

Five Year Financial Summary 19

Corporate Information 20

FUND PROFILE

Saskatchewan Government Growth Fund II Ltd. ("SGGF II" or the "Fund") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

FINANCIAL HIGHLIGHTS

- SGGF II reported a loss in 2003 of $641,000 resulting in an accumulated deficit of $9.5 million.
- Income from investments in 2003 was $21,000, compared with $125,000 in 2002.
- No payments were made in 2003 on obligations to investors because of insufficient cash resources.

MESSAGE TO INVESTORS

The priority of Saskatchewan Government Growth Fund II Ltd. in 2003 continued to be the liquidation of its remaining investments.

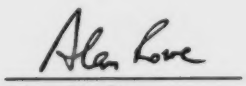
There are no active markets in which to sell the Fund's two remaining investments, Big Sky Farms Inc. ("Big Sky") and Prairie Sulphate Corporation ("PSC"). The Fund has exercised its contractual right to require Big Sky to repurchase its investment in Big Sky, and is negotiating the terms of payment with the Company. Big Sky is a large hog producer in Saskatchewan. Hog prices have recently been depressed and volatile. It is uncertain when significant cash payments will be received from Big Sky in the future. PSC restructured its debt in 2003, and SGGF II received additional equity in exchange for a portion of its debt. However, PSC is not generating sufficient cash from its operations to service its obligations to SGGF II.

The Fund incurred a loss of $641,000 in 2003 as a result of provisions made for losses on investments. The accumulated deficit of the Fund is $9.5 million at December 31, 2003.

It is unlikely that sufficient cash will be generated in 2004 to make a payment to the remaining Bondholders in 2004. It is likely that the ultimate proceeds from the remaining investments will be significantly less than the remaining principal amounts. It is not possible at this time to predict when payments to investors will be made.

In 2004, SGGF II will continue to actively manage its remaining investments with a view to achieving for investors the best liquidation proceeds available in the prevailing circumstances. As significant new developments occur, such information will be provided to the Bondholders.

Joanne Forer
Chair



Alan M. Rowe
President

February 25, 2004

INVESTMENT PROFILES

The following are profiles of investments held by SGGF II during 2003, including the principal amount invested at December 31, 2003 and a description of the companies' operations. The date of the initial investment in each company is noted in parentheses.

Big Sky Farms Inc. (January 1996)

$1,000,000 common shares

Big Sky Farms, headquartered in Humboldt, Saskatchewan, operates a number of farrow-to-finish hog operations in Saskatchewan. These operations are among the largest hog production facilities in western Canada. SGGF II has exercised its right to have Big Sky repurchase its equity position at a value of $2.1 million and is negotiating the terms of purchase.

Prairie Sulphate Corporation (August 1996)

$2,480,894 loans, preferred shares and common shares

Prairie Sulphate Corporation is located at Alsask, Saskatchewan. The Company manufactures potassium sulphate fertilizer, a specialty product used in the care of chloride sensitive plants such as citrus trees, tobacco, and golf course greens. The Company negotiated a restructuring of its financing with its lenders in 2003, and a portion of SGGF II's loans were converted to equity. However, the Company continues to experience financial and operating difficulties.

Background

Saskatchewan Government Growth Fund II Ltd. ("SGGF II" or the "Fund") is an immigrant investor fund which operates in accordance with the regulations of the federal Immigrant Investor Program (the "IIP"). The Fund began commercial operations in 1993 when it accepted its first subscription deposits. The Fund is financed by subscriptions received from immigrant investors. The objective of the Fund is to invest the proceeds of subscriptions in eligible businesses in Saskatchewan for a five year period as required by the IIP. This allows the immigrant investor to satisfy the investment requirements of the IIP for a Canadian-resident visa.

Obligations to investors

SGGF II's activities are financed by immigrant investors who have subscribed for unsecured, subordinated bonds ("Bonds") offered through an Offering Memorandum. The interest rate for the Bonds is 2%. Obligations under the Bonds are subordinate to all other liabilities of SGGF II and repayment is dependent on the proceeds on liquidation of investments and all other available liquidity in excess of other liabilities.

SGGF II was closed to new subscription applications on May 28, 1995.

At December 31, 2003, obligations to investors were unchanged from 2002 and totalled $8.95 million, comprised of 31 Bonds with a principal amount of $250,000 and 12 Bonds with a remaining principal amount of $100,000.

It is likely that the ultimate proceeds from the remaining investments will be significantly less then the remaining principal amounts. It is not possible at this time to predict when payments to investors will be made.

Total interest expense on obligations to investors in 2003 was $192,000 (2002 - $189,000).

Other obligations

SGGF II is indebted to the Saskatchewan Government Growth Fund Ltd. in the amount of $1,035,000 pursuant to a promissory note which is secured by an equity investment of SGGF II. The note ranks in priority to other obligations of the Fund.

Investments

The investment policy of SGGF II reflects the requirements imposed by both the IIP and the Offering Memorandum through which Bonds were offered to investors. To meet these requirements, SGGF II established a target initial investment allocation consisting of:

- a minimum of 70% invested in small and medium-sized enterprises ("SMEs") in Saskatchewan; and,
- the balance invested in cash or liquid debt securities.

As investments are divested over time, the actual portfolio mix changes. Investments in SMEs qualify as "eligible businesses" for purposes of the IIP.

Investments (continued)

The following table sets out the investments of the Fund by type at December 31 in each year:

	2003			2002		
	No.	$ millions	%	No.	$ millions	%
Small and medium-sized enterprises						
Debt investments	1	0.57	16.2	1	2.49	58.9
Equity investments	2	2.92	83.3	2	1.00	23.6
Total*	2	3.49	99.5	2	3.49	82.5
Cash and portfolio investments		0.02	0.5		0.74	17.5
		3.51	100.0		4.23	100.0
Provisions for losses		(2.04)			(1.32)	
Net book value		1.47			2.91	
Fair value		2.93				

*Note: The total number of SME investments represents the total number of companies. In some cases, an investment in both debt and equity instruments of the same company may have been made.

Investment income in 2003 totalled $21,000, compared with $125,000 in 2002. The Fund's remaining investments are not providing any current cash returns to SGGF II.

Provisions for losses on investments totalled $911,000 primarily with respect to one SME investment for which the recovery is uncertain.

Management

SGGF II is managed by the Saskatchewan Government Growth Fund Management Corporation (SGGF MC) under a contract which provides for a management fee not to exceed 3% of the net assets of the Fund. SGGF MC has contracted administration and investment advisory services from Crown Capital Partners Inc. ("CCPI"), a private, national investment advisor based in Regina, Saskatchewan, and has retained subadvisors to provide investment advisory services. CCPI is paid a monthly fee for its services and will receive a performance fee based on the retained earnings, if any, of SGGF II after all investor obligations are repaid in full and all investments have been liquidated. The subadvisors are paid a performance fee based on the performance of the investments managed by each of them.

Administration expense for the Fund was a recovery in 2003 of $545,000, compared with a recovery of $372,000 in 2002. The recoveries arise from a reduction in accruals for performance fees payable to subadvisors. The liability for performance fees payable to subadvisors, which was $1.1 million at December 31, 2002, was settled for $504,000 during 2003.

Results of operations

During 2003, the Fund incurred a loss of $641,000, compared with income of $102,000 in 2002. The loss was caused by provisions for losses on the Fund's remaining investments.

At December 31, 2003, the Fund had an accumulated deficit of $9.5 million, compared with a deficit of $8.8 million at December 31, 2002.

Outlook and risks and uncertainties

The priority of SGGF II is the management of its investment portfolio to maximize returns and to provide for liquidation of investments to satisfy the obligations to investors.

The investment allocation of the Fund which is prescribed by the IIP and Offering Memorandum significantly influences the returns available to the Fund. Investments in SMEs, which must represent a minimum of 70% of the Fund's investments, provide an opportunity for higher returns, but also carry a higher risk of losses than other investment types, and a greater challenge to achieving liquidity at the precise time that Bonds mature.

The significant risks and uncertainties which affect the Fund relate to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors are described in note 8 to the financial statements. The Fund manages these risks to the extent possible; however the factors may affect the ability of the Fund to repay its Bonds at maturity. The Fund has no sources of financing the repayment of its Bonds other than the proceeds received on liquidation of its investments.

Future accounting changes

Changes in generally accepted accounting principles which are to be implemented no later than fiscal years beginning July 1, 2004 will result in SGGF II carrying investments in the Statement of Financial Position at fair value. The change in fair value during the year will be recognized through the Statement of Operations. The fair value of investments as at December 31, 2003 has been reported in the notes to the financial statements, and SGGF II expects to adopt the new accounting policy in its fiscal year ending December 31, 2004.

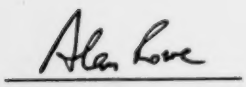
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The President and fund manager of the Saskatchewan Government Growth Fund II Ltd. are responsible for management of the Fund. The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include amounts which are based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

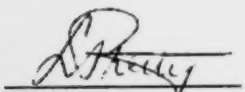
Management's responsibility includes ensuring the integrity and objectivity of financial information. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all transactions are authorized, financial records are complete and accurate, and assets are safeguarded against loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board has established an Audit Committee to review the Fund's accounting policies and financial statements prior to their presentation to the Board for approval. The Audit Committee also reviews the internal controls of the Fund, and meets regularly with the auditors. The Board has reviewed and approved these financial statements.

Deloitte & Touche LLP, the Fund's independent auditors, have examined the financial statements of the Fund. Their responsibility is to conduct an independent and objective audit and to report on the fairness of presentation of the Fund's financial position, results of operations and cash flows as shown in the financial statements. The Auditors' Report outlines the scope of their examination and their opinion.



Alan M. Rowe, C.A.
President



Lori K. Pretty, C.M.A.
Crown Capital Partners Inc.

February 25, 2004

AUDITORS' REPORT

To the Shareholder of Saskatchewan Government Growth Fund II Ltd.:

We have audited the statement of financial position of Saskatchewan Government Growth Fund II Ltd. as at December 31, 2003, and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

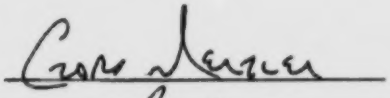
Regina, Saskatchewan
February 10, 2004

Saskatchewan Government Growth Fund II Ltd.
(Incorporated under *The Business Corporations Act* of Saskatchewan)
Statement of Financial Position
As at December 31

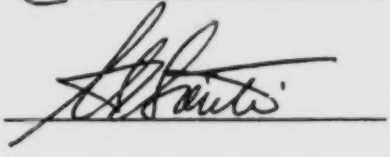
	2003	2002
Assets		
Cash	$ 7,923	$ 739,798
Accounts receivable and accrued interest	-	1,953
Investments (Note 3)	1,444,431	2,174,445
	$ 1,462,354	$ 2,916,196
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities (Note 4)	$ 160,794	$ 1,166,336
Note payable (Note 5)	1,035,000	1,035,000
Commissions payable	24,500	24,500
Accrued charges payable to investors	771,333	578,997
Obligations to investors (Note 6)	8,950,000	8,950,000
	10,941,627	11,754,833
Share capital (Note 7)	1,000	1,000
Deficit	(9,480,273)	(8,839,637)
	(9,479,273)	(8,838,637)
	$ 1,462,354	$ 2,916,196

See accompanying notes to financial statements.

On behalf of the Board:



Gordon Mertler
Director



Lloyd Boutilier
Director

Saskatchewan Government Growth Fund II Ltd.
Statement of Operations and Deficit
For the Year Ended December 31

	2003	2002
Revenues		
Income from investments	$ -	$ 87,063
Interest from cash and portfolio investment	21,389	37,480
	21,389	124,543
Provision for credit losses	911,123	305,136
Allowance for unrealized losses on public equities	-	(275,919)
	11,123	29,217
Net revenue	(889,734)	95,326
Expenses		
Administration (Note 9)	(544,934)	(372,405)
Interest on note payable	103,500	176,825
Interest on obligations to investors	192,336	188,531
	249,098)	(7,049)
Net (loss) income	(640,636)	102,375
Deficit, beginning of year	(8,839,637)	(8,942,012)
Deficit, end of year	$(9,480,273)	$(8,839,637)

See accompanying notes to financial statements.

Saskatchewan Government Growth Fund II Ltd.
Statement of Cash Flows
For the Year Ended December 31

	2003	2002
Cash flows from operating activities		
Net (loss) income	**$(640,636)**	$ 102,375
Adjustments:		
Provision for credit losses	**911,123**	305,136
Allowance for unrealized losses on public equities	-	(275,919)
Net change in non-cash balances related to operations (Note 10)	**(811,253)**	(488,596)
Cash flows from operating activities	**(540,766)**	(357,004)
Cash flows from investing activities		
Disbursements on investments	**(183,109)**	(278,308)
Repayments from investments	**2,000**	1,608,274
Cash flows from investing activities	**(181,109)**	1,329,966
Cash flows from financing activities		
Repayment of note payable	-	(965,000)
Cash flows from financing activities	-	(965,000)
Net (decrease) increase in cash	**(721,875)**	7,962
Cash, beginning of year	**739,798**	731,836
Cash, end of year	**$ 17,923**	$ 739,798
Interest paid during the year	**$ 103,500**	$ 185,021

See accompanying notes to financial statements.

Saskatchewan Government Growth Fund II Ltd.
December 31, 2003

1. Status of the Corporation

Saskatchewan Government Growth Fund II Ltd. ("SGGF II") was incorporated in March 1993 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGF II was established to raise $35,000,000 through a bond offering. Each bond is a 2% unsecured subordinated bond with a principal amount of $250,000 ("Bonds"). The marketing of SGGF II closed on May 28, 1995.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions that qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF II or of a return of an investor's original investment. Neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Bonds.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Statement of Operations and Deficit in the period in which they become known.

Investments

Investments include debt investments in private companies, and equity investments in private and public companies. Income from debt investments is recognized as earned and income from equity investments is recognized when received.

Debt investments are carried at cost, net of provisions for credit losses.

2. Significant accounting policies (continued)

Provisions for credit losses are established on impaired debt instruments ("loans"). A loan is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired include the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income ceases. A provision for specific credit losses is established for impaired loans to reduce their value to the estimated fair value of the security underlying the loan. If the credit quality of the loan subsequently improves a provision is reduced or reversed.

Investments in publicly traded equities are carried at the lower of cost and market where market is determined as the average closing market price over the last 20 trading days prior to the financial statement date, with adjustment to reflect lack of market liquidity.

Investments in equities in private companies are carried at the lower of cost and, where a loss in value that is other than temporary has occurred, net realizable value. Investments that are evaluated as possibly being subject to a loss in value are assessed periodically based on appropriate criteria, including past operating results of the investee, financial outlook of the investee, recent capital transactions, and their associated value, between the investee and arm's length parties, and liquidity or going concern problems of the investee.

When a decline in the value of an equity investment in a private company is no longer considered to be temporary, the investment is written down through a provision and is carried at the written down value until disposal of the equity investment.

During the year, generally accepted accounting principles changed to limit the situations where investee companies over which an entity has significant influence are not consolidated. SGGF II continues to meet the requirements and therefore investments which SGGF II intends to dispose of in due course are not consolidated. The ability to account for investments in this manner will cease in October 2004.

Fair values for publicly-traded securities are determined with reference to quoted closing market prices. For investments which are not publicly-traded, fair values are determined by management on the basis of the expected realizable value of the investments if they were disposed of in an orderly manner over a reasonable period of time. There is no active secondary market for the investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

2. Significant accounting policies (continued)

Commissions payable

According to the terms of a marketing agreement entered into by SGGF II, a commission is payable to the independent marketing agent selling the Bonds upon issuance of the investor's immigrant visa.

Obligations to investors

Obligations to investors represent the Bonds issued to investors of SGGF II. Their investment helps to satisfy a portion of their visa requirements under the IIP. Interest to the maturity date on Bonds is accrued at an annual rate of 2% from the date of the Bond issuance and, if sufficient funds exist, paid annually on December 31 and at maturity; thereafter, interest is accrued on any remaining balance outstanding.

3. Investments

	2003	2002
Debt instruments	$ 565,047	$ 2,491,330
Equity instruments	2,915,847	1,000,000
Provision for credit losses	(2,036,463)	(1,316,885)
	$ 1,444,431	$ 2,174,445
Fair value	$ 2,910,000	

Included in investments is $2,480,894 (2002 - $2,480,894) of impaired investments, against which the accumulated provision for credit losses is $2,036,463 (2002 - $1,316,885), upon which income is not accrued. During the year $191,546 (2002 - $155,442) of investments and costs have been written off.

During the year, investments decreased as follows:

	2003	2002
Balance, beginning of year	$2,174,445	$ 3,533,628
New investments	183,110	278,308
Book value of divestments	(2,000)	(2,506,454)
Investments and costs written off	(191,546)	(155,442)
Net change in provision for credit losses	(719,578)	(140,525)
Net change in allowance for unrealized losses on public equities	-	1,164,930
Balance, end of year	$1,444,431	$ 2,174,445

4. Accounts payable and accrued liabilities

Included in accrued liabilities in 2002 is a provision of $1,127,211 for future fees payable to an investment subadvisor under the terms of its investment services agreement with SGGF II. The liability was settled in 2003 for $504,369 resulting in a decrease in administration expenses of $622,842.

5. Note payable

Note payable is a $1,035,000 promissory note issued to Saskatchewan Government Growth Fund Ltd. ("SGGF Ltd.") payable on demand and bearing interest at the rate of 10% per annum. Security for the note is an equity investment of SGGF II.

6. Obligations to investors

Bonds - 2% unsecured subordinated bonds.

The obligation at December 31 is:

	2003	2002
43 Bonds	**$8,950,000**	$8,950,000

The obligation at December 31 is comprised of 31 Bonds with a principal amount of $250,000 and 12 Bonds with a remaining principal amount of $100,000.

Obligations under the Bonds are subordinate to all other liabilities of SGGF II and repayment is dependent on available liquidity in excess of other liabilities and on the proceeds on liquidation of investments.

Liquidity problems experienced in the investment portfolio during the year 2000 forced SGGF II to reduce repayments on Bonds that matured between September and November 2000, and suspend repayments on Bonds that matured after November 2000. Interest due on the remaining principal amount of each Note on which the principal has been partially repaid is accrued.

SGGF II has a significant deficit and it is unlikely that the proceeds from the remaining investments will be sufficient to repay the remaining principal amounts in full. It is not known when payments on the remaining obligations will be made.

7. Share capital

The authorized common share capital of SGGF II at December 31 is:

Class A common shares - an unlimited number of voting common shares. Holders of the Class A common shares are not entitled to receive dividends.

Class B common shares - an unlimited number of non-voting common shares. Holders of the Class B common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2003	2002
1,000 Class A common shares	$1,000	$1,000

8. Risk management

SGGF II's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors may impact upon SGGF II's ability to repay its Bonds at maturity.

Market risk

Market risk is the risk that the fair value of an investment may be affected by the ability of an investee company to profitably distribute its products. Some of the companies in which SGGF II invests are dependent upon a single product or industry. SGGF II manages this risk through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors.

Credit risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF II restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. In addition, changes in commodity prices and foreign currency exchange rates may significantly affect the financial position of some investees. SGGF II conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis.

Interest rate risk

Interest rate risk is the risk that SGGF II's earnings will be affected by fluctuations in interest rates. SGGF II manages this risk through careful monitoring and matching the duration of its portfolio investments and investments with the duration of its obligations to investors.

8. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that SGGF II will encounter difficulty in liquidating its investments at the time it is required to repay its Bonds. Due to the nature of some of SGGF II's investments, the timing of cash flows from its investments may not exactly match the payments owing under SGGF II's Bonds. SGGF II carefully monitors the duration of its investments. However, timing differences may require SGGF II to reduce or delay the payments owing on Bonds at maturity.

Fair value - obligations to investors

No secondary market for the Bonds exists. Due to the unique features associated with the Bonds, the calculation of a fair value with appropriate reliability is impractical. The risk factors that affect the fair value of investments, as described above, also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

9. Administration

Under the terms of a management agreement between SGGF II and the Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF II with the assistance of a manager that performs fund administration and investment management together with several investment subadvisors. SGGF Management Corporation does not guarantee the financial performance of SGGF II. All services provided to SGGF II are charged on a fee for service basis. The costs billed to the fund by SGGF Management Corporation are as follows:

	2003	2002
Manager's fees	**$ 48,112**	$ 56,336
General administration	**3,869**	2,311
Directors' fees and expenses	**9,056**	11,532
Legal and professional	**16,871**	28,273
	77,908	98,452
Provision for investment subadvisors' performance fees	**(622,842)**	(470,857)
	$(544,934)	$(372,405)

10. Net change in non-cash balances related to operations

	2003	2002
Accounts receivable and accrued interest	$ 1,953	$ 30,386
Accounts payable and accrued liabilities	(1,005,542)	(707,514)
Accrued charges payable to investors	192,336	188,532
	$ (811,253)	$ (488,596)

11. Income taxes

A provincial Crown corporation, SGGF Management Corporation, owns all of the issued shares of SGGF II. Therefore, SGGF II is income tax exempt.

12. Related party transactions

Included in these financial statements are amounts resulting from transactions with SGGF Management Corporation pursuant to a management agreement referred to in Note 9. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Total fees charged to SGGF II by SGGF Management Corporation amounted to $77,908 (2002 - $98,452). Total fees payable to SGGF Management Corporation at December 31, 2003, and included in the above, are $6,004 (2002 – $25,334).

As stated in Note 5, SGGF II has issued a note payable to SGGF Ltd. Total interest charged by SGGF Ltd. during the year was $103,500 (2002 - $176,825). Total interest payable to SGGF Ltd. at December 31, 2003, and included in the above, is $8,790 (2002 - $8,790).

FIVE YEAR FINANCIAL SUMMARY

Saskatchewan Government Growth Fund II Ltd.
(in thousands of dollars)

Financial Position
As at December 31

		2003	2002	2001	2000	1999
Assets						
Cash	$	18	740	732	998	3,967
Portfolio investments		-	-	-	411	-
Investments		1,444	2,174	3,534	6,179	14,477
Other assets		-	2	32	38	554
Total assets	$	1,462	2,916	4,298	7,626	18,998
Liabilities and Deficit						
Obligations to investors	$	9,721	9,529	9,340	9,161	17,755
Other liabilities		1,220	2,226	3,899	4,247	2,163
Deficit		(9,479)	(8,839)	(8,941)	(5,782)	(920)
Total liabilities and deficit	$	1,462	2,916	4,298	7,626	18,998

Operating Results
For the years ended December 31

		2003	2002	2001	2000	1999
Revenues						
Investment income	$	-	87	286	1,397	699
Interest from cash and portfolio investments		21	37	38	78	608
Other income		-	-	5	94	27
		21	124	329	1,569	1,334
Provision for losses on investments		911	29	2,820	5,946	1,017
Net revenue		(890)	95	(2,491)	(4,377)	317
Expenses						
Administration		(545)	(372)	274	(32)	252
Financing		296	365	394	517	786
Total expenses		(249)	(7)	668	485	1,038
Net (loss) income	$	(641)	102	(3,159)	(4,862)	(721)

Saskatchewan Government Growth Fund II Ltd.
1874 Scarth Street, Suite 1900
Regina, Saskatchewan, Canada S4P 4B3
Phone: (306) 787-2994 Fax: (306) 787-2086
Email: sggf@crowncapital.ca
Website: www.sggfmc.com

Board of Directors

Joanne Forer, Chair
Businesswoman
Melfort, Saskatchewan

Lloyd Boutilier
Businessman
Regina, Saskatchewan

Darrel Cunningham
Farmer
Lintlaw, Saskatchewan

Harwood Davies
Businessman
Watrous, Saskatchewan

Roland ("Rollie") Hardy
Businessman
Regina, Saskatchewan

Gordon Mertler
Businessman
Regina, Saskatchewan

Fund Manager

Saskatchewan Government Growth Fund Management Corporation, which has retained Crown Capital Partners Inc. to provide management services.

Crown Capital Partners Inc.
Brian A. Johnson, C.F.A., Managing Partner
Alan M. Rowe, C.A., Partner Responsible for SGGF
Christopher J. Anderson, C.F.A., Partner
B. Cameron Johnson, C.A., C.F.A., C.B.V., Partner
Christopher A. Johnson, C.F.A., C.B.V., Partner
Chris A. Selness, C.F.A., Partner

1874 Scarth Street, Suite 1900
Regina, Saskatchewan, Canada S4P 4B3
Phone: (306) 546-8000 Fax: (306) 546-8009
Email: ccp@crowncapital.ca

Officers

Joanne Forer, Chair
Alan M. Rowe, President

Auditors

Deloitte & Touche LLP
Chartered Accountants
2103 11th Avenue, Suite 900
Regina, Saskatchewan S4P 3Z8

Banker

CUCORP Financial Services
P.O. Box 3030, 2055 Albert Street
Regina, Saskatchewan S4P 3G8

Distribution Agent

Nexus Marketing Corporation
5th Floor, 191 Lombard Avenue
Winnipeg, Manitoba R3B 0X1

Investment Advisors

Crown Life Insurance Company
1874 Scarth Street, Suite 1900
Regina, Saskatchewan S4P 4B3

Mr. Roy Lloyd
114 – 801 Heritage Crescent
Saskatoon, Saskatchewan S7H 5R7

Prairie Financial Management
1919 Rose Street, Suite 202
Regina, Saskatchewan S4P 3A1

Legal Counsel

McDougall Gauley
2010 11th Avenue, Suite 700
Regina, Saskatchewan S4P 0J3

Trustee and Transfer Agent

CIBC Mellon Trust Company
One Lombard Place, Suite 750
Winnipeg, Manitoba R3B 0X3

This page left intentionally blank.